



FEDERAL RESERVE SYSTEM

Proposed Agency Information Collection Activities; Comment Request

AGENCY: Board of Governors of the Federal Reserve System

SUMMARY:

On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board of Governors of the Federal Reserve System (Board) its approval authority under the Paperwork Reduction Act (PRA), pursuant to 5 CFR 1320.16, to approve of and assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board under conditions set forth in 5 CFR 1320 Appendix A.1.

Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the Paperwork Reduction Act Submission, supporting statements and approved collection of information instruments are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

DATES: Comments must be submitted on or before [insert date 60 days after publication in the Federal Register].

ADDRESSES: You may submit comments, identified by FR Y-9, by any of the following methods:

- Agency Website: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- E-mail: regs.comments@federalreserve.gov. Include OMB number in the subject line of the message.
- FAX: (202) 452-3819 or (202) 452-3102.
- Mail: Robert deV. Frierson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, DC 20551.

All public comments are available from the Board's website at www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room MP-500 of the Board's Martin Building (20th and C Streets, NW) between 9:00 a.m. and 5:00 p.m. on weekdays.

Additionally, commenters may send a copy of their comments to the OMB Desk Officer, Shagufta Ahmed, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235 725 17th Street, NW, Washington, DC 20503 or by fax to (202) 395-6974.

FOR FURTHER INFORMATION CONTACT: A copy of the PRA OMB

submission, including the proposed reporting form and instructions, supporting statement,

and other documentation will be placed into OMB's public docket files, once approved.

These documents will also be made available on the Federal Reserve Board's public

website at: <http://www.federalreserve.gov/apps/reportforms/review.aspx> or may be

requested from the agency clearance officer, whose name appears below.

Federal Reserve Board Clearance Officer —Cynthia Ayouch—Office of the Chief Data

Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551

(202) 452-3829. Telecommunications Device for the Deaf (TDD) users may contact

(202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC

20551.

SUPPLEMENTARY INFORMATION:

Request for comment on information collection proposal

The following information collection, which is being handled under this delegated authority, has received initial Board approval and is hereby published for comment. At the end of the comment period, the proposed information collection, along with an analysis of comments and recommendations received, will be submitted to the Board for final approval under OMB delegated authority. Comments are invited on the following:

- a. Whether the proposed collection of information is necessary for the proper performance of the Federal Reserve's functions; including whether the information has practical utility;
- b. The accuracy of the Federal Reserve's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
- c. Ways to enhance the quality, utility, and clarity of the information to be collected;
- d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- e. Estimates of capital or start up costs and costs of operation, maintenance, and purchase of services to provide information.

Proposal to approve under OMB delegated authority the revision, without extension, of the following report:

Report title: Financial Statements for Holding Companies.¹

Agency form number: FR Y-9C.

OMB control number: 7100-0128.

Frequency: Quarterly.

¹ This family of reports also contains the following mandatory reports, which are not being revised: the Parent Company Only Financial Statements for Large Bank Holding Companies (FR Y-9LP), the Financial Statements for Employee Stock Ownership Plan Bank Holding Companies (FR Y-9ES), and the Supplement to the Consolidated Financial Statements for Bank Holding Companies (FR Y-9CS).

Reporters: Bank holding companies (BHCs) , savings and loan holding companies (SLHCs), and securities holding companies (SHCs) (collectively, “holding companies” (HCs)).

Estimated average hours per response: Non-advanced approaches HCs: 48.84 hours, and advanced approaches HCs: 50.09.

Estimated annual reporting hours: 222,770 hours

Number of respondents: 1,140.

General description of report: This information collection is mandatory for BHCs (12 U.S.C. 12 U.S.C. 1844(c)(1)(A)). Additionally, 12 U.S.C. 1467a(b)(2)(A) and 1850a(c)(1)(A), respectively, authorize the Federal Reserve to require that SLHCs and supervised SHCs file the FR Y-9C with the Federal Reserve. Confidential treatment is not routinely given to the financial data in this report. However, confidential treatment for the reporting information, in whole or in part, can be requested in accordance with the instructions to the form, pursuant to sections (b)(4), (b)(6), or (b)(8) of FOIA (5 U.S.C. §§522(b)(4), (b)(6), and (b)(8)).

Abstract: The FR Y-9C consists of standardized financial statements similar to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031 & 041; OMB No. 7100-0036) filed by

commercial banks and savings associations. The FR Y-9C collects consolidated data from HCs. The FR Y-9C is filed by top-tier HCs (under certain circumstances, a lower-tier HC may act as the top tier of the organization for purposes of regulatory reporting) with total consolidated assets of \$500 million or more. (Under certain circumstances defined in the General Instructions, BHCs under \$500 million may be required to file the FR Y-9C.) The Federal Reserve proposes revisions to the FR Y-9C consistent with the regulatory capital rules approved by the Board on July 2, 2013 (revised regulatory capital rules).²

Current Actions: The Federal Reserve proposes to split the current Schedule HC-R, Regulatory Capital, on the FR Y-9C into two parts: Part I, which would collect information on regulatory capital components and ratios, and Part II, which would collect information on risk-weighted assets. For report dates in 2014, Part I of proposed Schedule HC-R would be designated as Parts I.A and I.B. Part I.A would include data items 1 through 33 of current Schedule HC-R. Part I.B would include the revisions consistent with the revised regulatory capital rules. Part II would include data items 34 through 62 and Memorandum items 1 through 10 of current Schedule HC-R. In March 2015, Part I.A would be removed and Part I.B would be re-designated as Part I.

² On July 2, 2013, the Board approved the revised regulatory capital rules that were proposed on August 30, 2012. On July 9, 2013 the OCC approved the revised regulatory capital rules and the FDIC issued an interim final rule to approve the revised regulatory capital rules. See <http://www.federalreserve.gov/bcreg20130702a.pdf> (Board); <http://www.occ.gov/news-issuances/news-releases/2013/2013-110a.pdf> (OCC); http://www.fdic.gov/news/board/2013/2013-07-09_notice_dis_a_res.pdf (FDIC). See also 77 Federal Register 52888, 52909, 52958 (August 30, 2012).

For the March 31, 2014, and March 31, 2015, report dates, as applicable, institutions may provide reasonable estimates for any new or revised FR Y-9C data items initially required to be reported as of the dates for which the requested information is not readily available. The specific wording of the captions for the revised FR Y-9C data items discussed in this proposal and the numbering of these data items should be regarded as preliminary.

The Federal Reserve would modify the proposed revisions to the FR Y-9C and FR Y-9SP reports for consistency with any revisions to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031 & 041; OMB No. 7100-0036) for implementation in 2014 and 2015 or because of technical revisions or corrections to the revised regulatory capital rules related to the new definition of capital, as appropriate.

Proposed Revisions – FR Y-9C

The Federal Reserve proposes changes to the FR Y-9C reporting requirements consistent with the revised regulatory capital rules. The current Schedule HC-R, Regulatory Capital, collects information on regulatory capital components and ratios, as well as risk-weighted assets. The Federal Reserve proposes to split the current Schedule HC-R into Part I, which would collect information on regulatory capital components and ratios, and Part II, which would collect information on risk-weighted assets. For report dates in 2014, Part I

of proposed Schedule HC-R would be designated as Parts I.A and I.B. Part I.A would include data items 1 through 33 of current Schedule HC-R. Part I.B would include the revisions consistent with the revised regulatory capital rules. Part II would include data items 34 through 62 and Memorandum items 1 through 10 of current Schedule HC-R. Starting in March 2015, Part I.A would be removed and Part I.B would be re-designated as Part I and data items 34-62 would be renumbered.

In Schedule HC-R, Part I.A (data items 1-33), an institution reports tier 1 capital, tier 2 capital, total regulatory capital, and its regulatory capital ratios (regulatory capital components and ratios portion).

In Schedule HC-R, Part II (data items 34-62), an institution reports its risk-weighted assets (risk-weighted assets portion). Schedule HC-R, Part II also includes Memoranda items 1 through 10, in which an institution reports supplemental regulatory capital information.³

The Federal Reserve proposes to add Part I.B to Schedule HC-R to provide a more detailed breakdown of the regulatory capital elements, including deductions and adjustments, consistent with the revised regulatory capital rules. HCs subject to the

³ The Federal Reserve expects to publish at a later date a request for comment on a separate proposal to revise the risk-weighted assets portion of Schedule HC-R to incorporate the standardized approach for calculating risk-weighted assets under the revised regulatory capital rules. The revisions to the risk-weighted assets portion of Schedule HC-R would take effect March 31, 2015. The Federal Reserve is proposing changes to Schedule HC-R in two stages to allow interested parties to better understand the proposed revisions and focus their comments on areas of particular interest. Therefore, for report dates in 2014, all FR Y-9C filers would continue to report risk-weighted assets in the portion of Schedule HC-R that contains existing data items 34 through 62 and Memorandum items 1 through 10 of current Schedule HC-R, but this portion of the schedule would be designated Part II and the data items would be renumbered beginning with item 1.

revised regulatory capital rules would be required to calculate and report regulatory capital using a new definition of capital. Proposed Schedule HC-R, Part I.B is discussed in more detail below.

Bank Holding Companies (BHCs): Advanced approaches BHCs would begin reporting on proposed Schedule HC-R, Part I.B, starting on March 31, 2014, applying the revised regulatory capital rules. At that time, these respondents would no longer be required to complete Schedule HC-R, Part I.A. On March 31, 2015, FR Y-9C respondents that are not subject to the advanced approaches rule would no longer report Schedule HC-R, Part I.A and would begin reporting the data items on proposed Schedule HC-R, Part I.B (re-designated as Part I), applying the revised regulatory capital rules.

SLHCs: Prior to the approval of the revised regulatory capital rules, SLHCs were not subject to consolidated regulatory capital requirements and not required to file Schedule HC-R. Under the revised regulatory capital rules, top-tier SLHCs that are not substantially engaged in insurance or commercial activities (covered SLHCs) are subject to consolidated regulatory capital requirements effective January 1, 2015. Covered SLHCs would begin reporting on the proposed Schedule HC-R, Part I.B, starting on March 31, 2015.

A top-tier SLHC is deemed to be substantially engaged in insurance activities (insurance SLHC) if (i) the top-tier SLHC is an insurance underwriting company;⁴ or (ii) as of June

⁴ Insurance underwriting company means an insurance company as defined in section 201 of the Dodd-Frank Act (12 U.S.C. 5381) that engages in insurance underwriting activities.

30 of the previous calendar year, it held 25 percent or more of its total consolidated assets in subsidiaries that are insurance underwriting companies (other than assets associated with insurance for credit risk). For purposes of determining the 25 percent threshold, the SLHC must calculate its total consolidated assets in accordance with generally accepted accounting principles (GAAP), or if the SLHC does not calculate its total consolidated assets under GAAP for any regulatory purpose (including compliance with applicable securities laws), the SLHC may estimate its total consolidated assets, subject to review and adjustment by the Federal Reserve. Thus, insurance SLHCs are not required to complete Schedule HC-R, even if they complete other schedules of FR Y-9C.⁵

A top-tier SLHC is deemed to be substantially engaged in commercial activities (commercial SLHC) if (i) the top-tier SLHC is a grandfathered unitary SLHC as defined in section 10(c)(9)(A) of HOLA and (ii) as of June 30 of the previous calendar year, it derived 50 percent or more of its total consolidated assets or 50 percent of its total revenues on an enterprise-wide basis (as calculated under GAAP) from activities that are not financial in nature under section 4(k) of the Bank Holding Company Act (12 U.S.C. 1842(k)). This exclusion from the revised regulatory capital rules is similar to the current regulatory reporting exemption for SLHCs substantially engaged in commercial activities and is designed to capture those SLHCs that would likely be subject to a future intermediate HCs regulation of the Federal Reserve.

⁵ Under the current reporting requirements, SLHCs are exempt from filing the FR Y-9C if: (1) as calculated annually as of June 30th, using the assets reported as of June 30th, more than 50 percent of the assets of the SLHC are derived from the business of insurance on an enterprise-wide basis; and (2) the SLHC does not submit reports to the Securities and Exchange Commission (SEC) pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Regulatory capital requirements for SLHCs substantially engaged in insurance or commercial activities will be finalized at a later date.

2. Report Title: Parent Company Only Financial Statements for Small Holding Companies.

Agency form number: FR Y-9SP.

OMB control number: 7100-0128.

Frequency: Semiannually, as of the last calendar day of June and December.

Reporters: BHCs, SLHCs and SHCs with total consolidated assets of less than \$500 million (small BHCs, small SLHCs and small SHCs).

Estimated annual reporting hours: 49,443.

Estimated average hours per response: BHCs: 5.40 hours, SLHCs: 14.20 hours; One-time implementation: 500 hours.

Number of respondents: 4,094.

General description of report: This information collection is mandatory for BHCs [12 U.S.C. 1844(c)(1)(A).] Additionally, 12 U.S.C. 1467a(b)(2)(A) and 1850a(c)(1)(A),

respectively, authorize the Federal Reserve to require that SLHCs and supervised SHCs file the FR Y-9SP with the Federal Reserve. Confidential treatment is not routinely given to the financial data in this report. However, confidential treatment for the reporting information, in whole or in part, can be requested in accordance with the instructions to the form, pursuant to sections (b)(4), (b)(6), or (b)(8) of the Freedom of Information Act (5 U.S.C. 552(b)(4), (b)(6), and (b)(8)).

Abstract: The FR Y-9SP is a parent company only financial statement filed by HCs with total consolidated assets of less than \$500 million. This form is a simplified or abbreviated version of the more extensive parent company only financial statement for large HCs (FR Y-9LP). This report is designed to obtain basic balance sheet and income information for the parent company, information on intangible assets, and information on intercompany transactions. The Federal Reserve proposes several revisions to the FR Y-9SP consistent with the regulatory capital rules approved by the Board on July 2, 2013 (revised regulatory capital rules).⁶

Current actions: On the FR Y-9SP, the Federal Reserve proposes to add a new Schedule SC-R, Regulatory Capital Components and Ratios, to collect consolidated regulatory capital data from small SLHCs subject to the revised regulatory capital rules. Schedule HC-R, Part I.B, of the FR Y-9C and Schedule SC-R of the FR Y-9SP would collect the

⁶ On July 2, 2013, the Board approved the revised regulatory capital rules that were proposed on August 30, 2012. On July 9, 2013 the OCC approved the revised regulatory capital rules and the FDIC issued an interim final rule to approve the revised regulatory capital rules. See <http://www.federalreserve.gov/bcreg20130702a.pdf> (Board); <http://www.occ.gov/news-issuances/news-releases/2013/2013-110a.pdf> (OCC); http://www.fdic.gov/news/board/2013/2013-07-09_notice_dis_a_res.pdf (FDIC). See also 77 Federal Register 52888, 52909, 52958 (August 30, 2012).

same data items, except proposed Schedule HC-R, Part I.B, would collect additional data from HCs subject to the advanced approaches risk-based capital rules (advanced approaches HCs).⁷

HCs subject to the revised regulatory capital rules would be required to calculate and report regulatory capital using a new definition of capital. For the June 30, 2015, report date, institutions may provide reasonable estimates for any new or revised FR Y-9SP data items initially required to be reported as of that date for which the requested information is not readily available. The specific wording of the captions for the revised FR Y-9SP data items discussed in this proposal and the numbering of these data items should be regarded as preliminary.

Proposed FR Y-9SP Revisions

The Federal Reserve proposes changes to the FR Y-9SP reporting requirements consistent with the revised regulatory capital rules, which apply to covered SLHCs with total consolidated assets of less than \$500 million (small covered SLHCs). Under current regulatory reporting requirements, small SLHCs submit the FR Y-9SP semiannually. The Federal Reserve proposes to revise the FR Y-9SP by implementing new Schedule SC-R,

⁷ An advanced approaches banking organization as defined in the revised regulatory capital rules (i) has consolidated total assets on its most recent year-end regulatory report equal to \$250 billion or more; (ii) has consolidated total on-balance sheet foreign exposure on its most recent year-end regulatory report equal to \$10 billion or more; (iii) is a subsidiary of a depository institution that uses the advanced approaches pursuant to subpart E of 12 CFR part 3 (OCC), 12 CFR part 217 (Federal Reserve), or 12 CFR part 325 (FDIC) to calculate its total risk-weighted assets; (iv) is a subsidiary of a bank holding company or savings and loan holding company that uses the advanced approaches pursuant to 12 CFR part 217 to calculate its total risk-weighted assets; or (v) elects to use the advanced approaches to calculate its total risk-weighted assets.

Regulatory Capital Components and Ratios, to collect consolidated regulatory capital data from small covered SLHCs. Schedule SC-R would collect regulatory capital data from small covered SLHCs and therefore, eliminate the need for these institutions to file a consolidated FR Y-9C report. Small covered SLHCs would apply the revised regulatory capital rules to report their regulatory capital data on proposed Schedule SC-R starting on June 30, 2015. Small BHCs that file FR Y-9SP would not be affected by this proposal and they would not be required to complete proposed Schedule SC-R.

The following table summarizes the proposed reporting criteria for FR Y-9C and FR Y-9SP respondents.

FR Y-9C respondents		
Respondents	2014	2015
Non-advanced approaches BHCs	<ul style="list-style-type: none">• Complete the current Schedule HC-R, Part I.A and Part II;• Do not complete proposed Schedule HC-R, Part I.B	<ul style="list-style-type: none">• Current Schedule HC-R, Part I.A is removed and Part I.B is re-designated as Part I;• Complete the proposed Schedule HC-R, Part I.B (re-designated as Part I in 2015) and Part II;• Schedule HC-R Part II includes the revised and renumbered risk-weighted assets portion of the template
Advanced approaches BHCs	<ul style="list-style-type: none">• Do not complete Schedule HC-R , Part I.A (items 1 through 33);• Complete current Schedule HC-R, Part II• Complete proposed Schedule HC-R, Part I.B (items 1 through 48)	
Covered SLHCs other than small covered SLHCs	Do not complete Schedule HC-R	
FR Y-9SP respondents		
Respondents	2014	2015
Small BHCs	No change	No change
Small covered SLHCs	Do not complete proposed Schedule SC-R	Complete proposed Schedule SC-R

Discussion of Proposed Schedules HC-R and SC-R

This section describes the proposed revisions to FR Y-9C Schedule HC-R, Part I.B (to be re-designated as Part I in 2015) and FR Y-9SP Schedule SC-R (collectively, the proposed schedules) to revise the data collections consistent with the revised regulatory capital rules. The proposed schedules would contain the same data items, except the proposed Schedule HC-R, Part I.B would collect additional data from advanced approaches HCs. As specified in the revised regulatory capital rules and the corresponding instructions for proposed Schedule HC-R, Part I.B, advanced approaches HCs that file the FR Y-9C would report certain line items only after these institutions complete the parallel run process and receive notification from the Federal Reserve pursuant to section 121(d) of subpart E of the revised regulatory capital rules.

The regulatory capital portion of the proposed schedules would collect data on the following regulatory capital components and ratios: (A) common equity tier 1 capital; (B) common equity tier 1 capital adjustments and deductions; (C) additional tier 1 capital; (D) tier 2 capital; (E) total assets for the leverage ratio; (F) capital ratios; and (G) capital buffer. A brief description of each of these sections and the corresponding data items is provided below. The proposed reporting instructions provide guidance on how to calculate and report items subject to the transition provisions under section 300 of the revised regulatory capital rules.

A. Proposed Schedules HC-R, Part I.B and SC-R items 1 through 5:

Common equity tier 1 capital

Proposed line items 1 through 5 would collect information to determine the new regulatory capital component, common equity tier 1 capital. The proposed data items align with the elements of common equity tier 1 capital under the revised definition of capital, including (item 1) common stock plus related surplus (net of treasury stock and unearned employee stock ownership plan shares), (item 2) retained earnings, (item 3) accumulated other comprehensive income (AOCI), and (item 4) common equity tier 1 minority interest includable in common equity tier 1 capital.⁸ As explained in section 21 of the revised regulatory capital rules, an institution may include a limited amount of common equity tier 1 minority interest of a consolidated subsidiary that is a depository institution or a foreign bank in its common equity tier 1 capital. Line item 5 collects the sum of items 1 through 4 to determine common equity tier 1 capital before adjustments and deductions.

For purposes of reporting line item 3, AOCI, an institution that is not subject to the advanced approaches rule may make a one-time election to opt-out of the requirement to include most of the components of AOCI in common equity tier 1 capital (AOCI opt-out election). An institution that makes an AOCI opt-out election must report “Yes” in line item 3(a) and report the amounts in line items 9(a), 9(b), 9(c), 9(d) and 9(e). An institution that is not an advanced approaches institution would make this election when it completes Schedule HC-R for March 31, 2015, or Schedule SC-R for June 30, 2015, as applicable. If an institution makes an AOCI opt-out election, the transition provisions for

⁸ Under current GAAP, minority interests are referred to as noncontrolling interests. In this regard, on the FR Y-9C balance sheet (Schedule HC), such interests are labeled “Noncontrolling (minority) interests in consolidated subsidiaries.”

AOCI under section 300 of the revised regulatory capital rules would not apply to the reporting of AOCI in line item 3.

All advanced approaches institutions and all other HCs that choose not to make the AOCI opt-out election must report “No” in line item 3(a) and complete line item 9(f). In addition, such institutions must report AOCI in item 3 subject to the transition provisions, as described in section 300 of the revised regulatory capital rules and the corresponding instructions.

B. Proposed Schedules HC-R, Part I.B and SC-R items 6 through 19:

Common equity tier 1 capital: adjustments and deductions

Proposed line items 6 through 18 reflect adjustments and deductions to common equity tier 1 capital, as described in section 22 of the revised regulatory capital rules. Institutions must refer to the revised regulatory capital rules to determine under which conditions deferred tax liabilities (DTLs) may be netted against assets subject to deduction. An institution would calculate and report the following adjustments and deductions, as described below, which would be summed in line item 18 and deducted from common equity tier 1 capital in line item 19.

Schedules HC-R, Part I.B and SC-R item 6: LESS: Goodwill net of associated deferred tax liabilities (DTLs): Goodwill net of associated DTLs is reported and deducted from common equity tier 1 capital.

Schedules HC-R, Part I.B and SC-R item 7: LESS: Intangible assets (other than goodwill and mortgage servicing assets (MSAs)), net of associated DTLs: Intangible assets, other than goodwill and MSAs, net of associated DTLs, must be deducted from common equity tier 1 capital.

Schedules HC-R, Part I.B and SC-R item 8: LESS: Deferred tax assets (DTAs) that arise from operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs: An institution must deduct DTAs that arise from operating loss and tax credit carryforwards, net of any related valuation allowances and net of DTLs, from common equity tier 1 elements.⁹

Schedules HC-R, Part I.B and SC-R item 9: AOCI-related adjustments: An institution that makes an AOCI opt-out election by reporting “1” for Yes in line item 3(a), would adjust its common equity tier 1 capital by reporting the amount of specified AOCI components in line items 9(a), 9(b), 9(c), 9(d) and 9(e), that is, net unrealized gains (losses) on available-for-sale (AFS) securities; net unrealized loss on AFS preferred stock classified as an equity security under GAAP and AFS equity exposures; accumulated net gains (losses) on cash flow hedges; amounts recorded in AOCI attributed to defined benefit postretirement plans resulting from the initial and subsequent application of the relevant GAAP standards that pertain to such plans; and net unrealized gains (losses) on held-to-maturity securities that are included in AOCI.

⁹ DTAs arising from temporary differences that the banking organization could realize through net operating loss carrybacks are not subject to deduction and instead receive a 100 percent risk weight.

An institution that does not make an AOCI opt-out election by reporting “0” for No and advanced approaches respondents would report in line item 9(f), any accumulated net gain (loss) on cash flow hedges included in AOCI, net of applicable tax effects, that relate to the hedging of items not recognized at fair value on the balance sheet.

Schedules HC-R, Part I.B and SC-R item 10: Other deductions from (additions to) common equity tier 1 capital before threshold-based deductions: Under the revised regulatory capital rules, institutions must make the following deductions from or additions to common equity tier 1 capital:

Schedules HC-R, Part I.B and SC-R item 10(a): LESS: Unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in own credit risk: An institution would report the amount of unrealized net gain (loss) related to changes in the fair value of liabilities that are due to changes in its own credit risk. Advanced approaches HCs would include the credit spread premium over the risk free rate for derivatives that are liabilities.

Schedules HC-R, Part I.B and SC-R item 10(b): LESS: All other deductions from (additions to) common equity tier 1 capital before threshold-based deductions: An institution would report in line item 10.b the total of the following deductions and additions:

(1) Gain-on-sale associated with a securitization exposure: An institution must deduct from common equity tier 1 capital any after-tax gain-on-sale associated with a securitization exposure. Gain-on-sale means an increase in the equity capital of the institution resulting from the consummation or issuance of a securitization (other than an increase in equity capital resulting from the institution's receipt of cash in connection with the securitization).

(2) Defined benefit pension fund assets net of associated DTLs: Defined benefit pension fund assets, net of any associated DTLs, must be deducted from common equity tier 1 capital. (This discussion does not pertain to defined benefit pension fund net assets owned by depository institutions.)

(3) Investments in own regulatory capital instruments: To avoid the double-counting of regulatory capital, an institution must deduct any investments in its own common equity tier 1, own additional tier 1, and own tier 2 capital instruments from its common equity tier 1, additional tier 1, and tier 2 capital elements, respectively. Any common equity tier 1, additional tier 1, or tier 2 capital instrument issued by the institution which the institution could be contractually obligated to purchase must be deducted from its common equity tier 1, additional tier 1, or tier 2 capital, respectively. If an institution already deducts its investment in its own shares (for example, treasury stock) from its common equity tier 1 capital, it does not need to make this deduction twice.

(4) Reciprocal cross holdings in the capital instruments of financial institutions: A reciprocal cross holding results from a formal or informal arrangement between two financial institutions to swap, exchange, or otherwise intend to hold each other's capital instruments. Institutions must deduct reciprocal holdings of capital instruments of other financial institutions in certain circumstances. The deduction is made by using the corresponding deduction approach as described in section 22(c) of the revised regulatory capital rules. The corresponding deduction approach requires the institution to make the deduction from the tier of capital for which the instrument would qualify. However, if the institution does not have a sufficient amount of the tier of capital to effect the required deduction, the shortfall must be deducted from the next higher (that is, more subordinated) component of regulatory capital. For example, if an institution is required to deduct a certain amount of regulatory capital from additional tier 1 capital and it does not have sufficient additional tier 1 capital to effectuate the deduction, then the amount of the deduction in excess of the available additional tier 1 capital must be made from common equity tier 1 capital.

(5) Equity investments in financial subsidiaries: An institution must deduct the aggregate amount of its outstanding equity investment, including retained earnings, in its financial subsidiaries and may not consolidate the assets and liabilities of a financial subsidiary with those of the parent institution.

(6) Advanced approaches HCs: After an advanced approaches HC completes its parallel run process, it would include expected credit losses that exceed its eligible credit reserves in this line item.

Schedules HC-R, Part I.B and SC-R item 11: LESS: Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments: Non-significant investments in the capital of unconsolidated financial institutions are investments where an institution owns 10 percent or less of the issued and outstanding common shares of an unconsolidated financial institution. An institution must deduct the amount of the non-significant investments that are above the 10 percent threshold for non-significant investments (calculated as described in section 22(c)(4) of the revised regulatory capital rules and in the reporting instructions for this line item), applying the corresponding deduction approach.

Schedules HC-R, Part I.B and SC-R item 12: Subtotal: An institution would report the amount in item 5 less the amounts in items 6 through 11. The amount reported in this item is used to calculate the common equity tier 1 capital deduction thresholds that are used for reporting items 13, 14, 15, and 16.

Schedules HC-R, Part I.B and SC-R items 13 through 16: Items subject to the 10 and 15 percent common equity tier 1 capital threshold deductions: An institution must report the amount of each of the following items that individually exceed the 10 percent

common equity tier 1 capital deduction threshold (that is, 10 percent of the amount reported in line item 12). These items are referred to as items subject to the threshold deductions in section 22(d) of the revised regulatory capital rules and include: (1) significant investments in the capital of financial institutions in the form of common stock, net of associated DTLs; (2) MSAs, net of associated DTLs; and (3) DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of any related valuation allowances and net of DTLs.

The aggregate amount of the items subject to the threshold deductions (that are not deducted in line items 13, 14, and 15) is not permitted to exceed 15 percent of an institution's common equity tier 1 capital. The aggregate amount in excess of the 15 percent threshold, if any, calculated in accordance with section 22(d)(2) of the revised regulatory capital rules and the corresponding line item instructions, must be deducted in line item 16.

Schedules HC-R , Part I.B and SC-R item 17: LESS: Deductions applied to common equity tier 1 capital due to insufficient amount of additional tier 1 capital and tier 2 capital to cover deductions: If an institution does not have a sufficient amount of additional tier 1 capital and tier 2 capital to cover deductions, then the shortfall must be reported in this line item.

Schedules HC-R , Part I.B and SC-R items 18 and 19: An institution would summarize total adjustments and deductions in line item 18 and deduct that amount from its common

equity tier 1 capital before adjustments and deductions to determine its common equity tier 1 capital, which would be reported in line item 19

C. Proposed Schedules HC-R, Part I.B and SC-R items 20 through 25:

Additional tier 1 capital , and item 26, Tier 1 capital

Proposed Schedules HC-R, Part I.B and SC-R line items 20 through 25 would require reporting of additional tier 1 capital elements. As defined in the revised regulatory capital rules, additional tier 1 capital is the sum of: (item 20) additional tier 1 capital instruments that satisfy the eligibility criteria described in section 20 of the revised regulatory capital rules, plus related surplus, (item 21) non-qualifying capital instruments subject to phase out from additional tier 1 capital, and (item 22) tier 1 minority interest that is not included in an institution's common equity tier 1 capital, less (item 24) applicable deductions.

Line item 26 collects data on the institution's tier 1 capital, calculated as the sum of (item 19) common equity tier 1 capital and (item 25) additional tier 1 capital.

D. Proposed Schedules HC-R, Part I.B and SC-R items 27 through 34: Tier 2 capital, and item 35: Total capital

Proposed Schedules HC-R, Part I.B and SC-R line items 27 through 34 would require reporting of tier 2 capital elements. As defined in the revised regulatory capital rules, tier 2 capital is the sum of: (item 27) tier 2 capital instruments that satisfy the

eligibility criteria described in section 20 of the revised regulatory capital rules, plus related surplus; (item 28) non-qualifying capital instruments subject to phase out from tier 2 capital; (item 29) total capital minority interest not included in an institution's tier 1 capital; (HC-R item 30(a), SC-R item 30) allowance for loan and lease losses (ALLL) includable in tier 2 capital or, for advanced approaches HCs, (HC-R item 30(b)) eligible credit reserves includable in tier 2 capital; and (item 31) unrealized gains on AFS preferred stock classified as an equity security under GAAP and AFS equity exposures includable in tier 2 capital, less (item 33) tier 2 capital deductions.

As noted above, advanced approaches HCs would report line items 30(b) (eligible credit reserves includable in tier 2 capital); 32(b) (tier 2 capital before deductions); 34(b) (tier 2 capital); and 35(b) (total capital) on the proposed Schedule HC-R only after these institutions conduct a satisfactory parallel run.

Line item 35(a) would collect data information on an institution's total capital, which is the sum of (item 26) tier 1 capital and (item 34) tier 2 capital.

E. Proposed Schedules HC-R, Part I.B and SC-R items 36 through 39: Total assets for the leverage ratio

Institutions would report total assets for the leverage ratio denominator in line item 39, calculated as: (item 36) average total consolidated assets, less (item 37)

deductions from common equity tier 1 capital and additional tier 1 capital, and less (item 38) other deductions from (additions to) assets for leverage ratio purposes, as described under sections 22(a), (c), and (d) of the revised regulatory capital rules.

F. Proposed Schedules HC-R, Part I.B and SC-R items 40 through 45: Total risk-weighted assets and capital ratios

Proposed Schedules HC-R, Part I.B and SC-R line item 40 would collect data on an institution's risk-weighted assets. Proposed Schedules HC-R, Part I.B and SC-R line items 41 through 45 would collect data on the following regulatory capital ratios: (item 41) common equity tier 1 ratio; (item 42) tier 1 capital ratio; (item 43) total capital ratio; (item 44) tier 1 leverage ratio; and, for advanced approaches HCs, (item 45), supplementary leverage ratio, all calculated as described in section 10 of the revised regulatory capital rules. Item 45 would not apply to Schedule SC-R.¹⁰

Advanced approaches HCs would report line items 40 through 43 on the proposed Schedule HC-R, Part I.B as follows.

¹⁰ During the reporting periods in 2014, FR Y-9C filers would continue applying the general risk-based capital rules to report their total risk-weighted assets in line item 40.a of Part I of Schedule HC-R (as currently reported in item 62 of the risk-weighted assets portion of Schedule HC-R). The amount in line item 40 would serve as the denominator of the risk-based capital ratios reported in line items 41 through 44 (Column A). Effective March 31, 2015, FR Y-9C filers would apply the standardized approach, described in subpart D of the revised regulatory capital rules, to report their risk-weighted assets in line item 40.a and the risk-based capital ratios in line items 41 through 44 (Column A) of the regulatory capital ratios portion of Schedule HC-R.

- During the reporting periods in 2014, these institutions would continue applying Appendix A of the general risk-based capital rules¹¹ to report their total risk-weighted assets in line item 40(a), which would serve as the denominator of the ratios reported in line items 41 through 43 (Column A).
- Starting on March 31, 2015, these institutions would apply the standardized approach, described in subpart D of the revised regulatory capital rules, to report their risk-weighted assets in line item 40(a) and the regulatory capital ratios in line items 41 through 43. As discussed, these institutions would report their total risk-weighted assets (item 40(b)) and regulatory capital ratios (items 41 through 43, Column B) using the advanced approaches rule after they conduct a satisfactory parallel run.
- In addition, starting on March 31, 2015, these institutions would report a supplementary leverage ratio in item 45, as described in section 10 of the revised regulatory capital rules.

G. Proposed Schedules HC-R, Part I.B and SC-R items 46 through 48:

Capital buffer

Under section 11 of the revised regulatory capital rules, institutions must hold sufficient common equity tier 1 capital to avoid limitations on distributions and

¹¹ The Federal Reserve's general risk-based capital rules are at 12 CFR parts 208 and 225, appendix A.

discretionary bonus payments. An institution's (item 46(a)) capital conservation buffer is the lowest of the following measures: (1) the institution's common equity tier 1 capital ratio minus the applicable minimum (4 percent in 2014, 4.5 percent in 2015 and thereafter); (2) the institution's tier 1 capital ratio minus the applicable minimum (5.5 percent in 2014 6 percent in 2015 and thereafter); and (3) the institution's total capital ratio minus 8 percent. Advanced approaches HCs must make additional calculations (item 46(b)) to account for all the applicable buffers, as described in section 11 of the revised regulatory capital rules. Item 46(b) would not apply to Schedule SC-R. If an institution's capital buffer is less than or equal to applicable minimum capital conservation buffer (or in the case of an advanced approaches HC, the applicable minimum capital conservation buffer plus any other applicable capital buffers), then it must report (item 47) eligible retained income and (item 48) distributions and discretionary bonus payments to executive officers, as described in section 11 of the revised regulatory capital rules.

Board of Governors of the Federal Reserve System, August 5, 2013.

Robert deV. Frierson

Secretary of the Board.

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